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Renewable Energy Program Overview

Rural Energy for America Program (REAP)

**PLEASE NOTE: This overview is largely based on Rural Development's Sec. 9006 program, which the 2008 Farm Bill reauthorized, revised and renamed to "Rural Energy for America Program" (REAP). Final regulations on the new REAP program are still pending, so changes are possible.*

Funds for renewable energy projects - wind, solar, biomass, biofuels, micro-hydro, geothermal, & anaerobic digesters

The REAP program provides grants (& loan guarantees) to rural small businesses & agricultural producers for up to 25% of the cost to purchase & install renewable energy generation systems. Energy efficiency projects (which are discussed in a separate information sheet) are also eligible for assistance under this program.

Funds available

In FY2008, over $34 million in REAP grants were awarded. Over $50 million may be available in FY2009.
Grant size: $500,000 maximum ($2,500 minimum) per project – cannot exceed 25% of total project cost.

Eligible applicants

- Rural small businesses – **"Rural"** means any area other than a city or metropolitan statistical area that has a population of greater than 50,000 inhabitants. "**Small**" is as defined by SBA and depends on business type – typically < 500 employees & revenue < $7 million.
- Agricultural producers (including nurseries & dairies) – individuals or business entities receiving at least 50% of gross income from agriculture. (The SBA-"small business" limitation does not apply to ag producers.)
- The applicant must have a demonstrable financial need for the grant assistance.
- Majority ownership must be held by US citizens or permanent residents.
- Nonprofits & public projects are **not** eligible.
- Preference is given to "very small businesses" – those with < 15 employees & < $1 million in annual receipts.

Eligible purposes

- Purchase and installation *in a rural location* of a renewable energy generating system, limited to the following:
    1. Biomass, bio-energy – producing fuel (e.g., biodiesel, ethanol), thermal energy, or electric power from a biomass source (crops, trees, wood, plants, & their residues and fats, oils, & greases, but excluding animal waste, paper, & unsegregated solid waste)
    2. Biomass, anaerobic digesters – producing thermal energy or electric power via anaerobic digestion using animal waste & other organic substrates
    3. Geothermal, electric generation – electric power from the thermal potential of a geothermal source
    4. Geothermal, direct use – producing thermal energy directly from a geothermal source
    5. Hydrogen – renewable energy systems using hydrogen as an energy transport medium
    6. Solar, small – electric projects with rated power ≤ 10 kW; thermal projects with rated storage ≤ 240 gallons
    7. Solar, large – electric projects with rated power >10 kW; thermal projects with rated storage >240 gallons
    8. Wind, small – systems with a ≤ 100 kW-rated wind turbine & with a generator hub height of ≤ 120 feet
    9. Wind, large – systems with a >100 kW-rated wind turbine
    10. Hydroelectric – electric power from micro-hydro projects
    11. Ocean – energy generation from tidal, wave, current, & thermal sources – but *not* for R&D technologies
- Strong preference is given for technology that is "*commercially available*" – i.e., that has a proven operating history and has an established design, installation, & service industry. "*Pre-commercial technologies"* – i.e., those that have emerged through the R&D process and have commercial potential – may qualify, but require substantially more documentation. Experimental or R&D projects are not eligible.

- The applicant must own & control the system, though a qualified third-party may be engaged to operate it.

Authorized uses

- Renewable energy machinery & equipment – purchase & installation (including reimbursement for these costs only if the costs were incurred *after* submitting your application).
- Renewable energy real estate improvements – materials & construction (including reimbursement for these costs only if the costs were incurred *after* submitting your application).
- Feasibility studies, technical/engineering reports, permits, professional fees, & business plans (including reimbursement for such costs whether incurred *before or after* application date).

Application process

- **"Simplified" applications** are allowed for projects seeking ≤ $50,000 grant & with ≤ $200,000 total project cost, and only for proposals using commercially-available technologies.
- Grants are awarded twice a year via a national competition. USDA only accepts applications during certain periods. **The window for submitting applications in FY2009 has not yet been announced.**

Additional requirements

- Matching funds – 75% of the project cost must come from non-Federal funds. "In-kind" contributions from third parties of up to 10% of the project cost may be counted toward the match.
- Feasibility study – a detailed, project-specific study by an *independent* consultant is required on projects costing > $200,000.
- Technical report – a detailed, project-specific report, including engineering drawings & process flow charts, by a *professional engineer (PE)* is required. (Projects costing < $200,000 may be exempt from PE requirement.)
- Established market for energy to be generated – projects to be interconnected with an electric utility must have an *interconnection agreement* (or letter of intent) or *power purchase agreement* at the time of application.
- Interim financing – Grant funds are typically disbursed when the project is complete, tested, & certified operational.

Priority Point System

REAP applications are competitively chosen for funding based on the following weighted selection criteria:

Max Points	Grant selection criteria
15	Energy replaced, saved, or generated (Up to 15 pts for net-metered; 10 pts for generation projects)
10	Environmental benefits – the project helps meet state environmental goals
10	Commercial availability of the system (max points for improvements with a 5+ year warranty)
10% of 35pts	Technical merit score – qualifications of the project team
5% of 35pts	Technical merit score – agreements & permits
10% of 35pts	Technical merit score – energy or resource assessment
30% of 35pts	Technical merit score – design & engineering
5% of 35pts	Technical merit score – project development schedule
20% of 35pts	Technical merit score – financial feasibility
5% of 35pts	Technical merit score – equipment procurement
5% of 35pts	Technical merit score – equipment installation
5% of 35pts	Technical merit score – operations & maintenance
5% of 35pts	Technical merit score – decommissioning
15	Readiness (max points if all other funding sources have already given written commitment)
10	"Smallness" of applicant (max points if <$1 MM gross revenue for business, <$200,000 for farms)
5	"Small" project (i.e., ≤ $50,000 grant & ≤ $200,000 project) using simplified application
5	No previous REAP award to applicant within last 2 years
10	Time for project to repay cost of investment (max points if simple payback in <4 years)

Shaded points are awarded by independent technical review committees; other points awarded by USDA.

For more information, an application template, or to get on our REAP notification list contact:

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